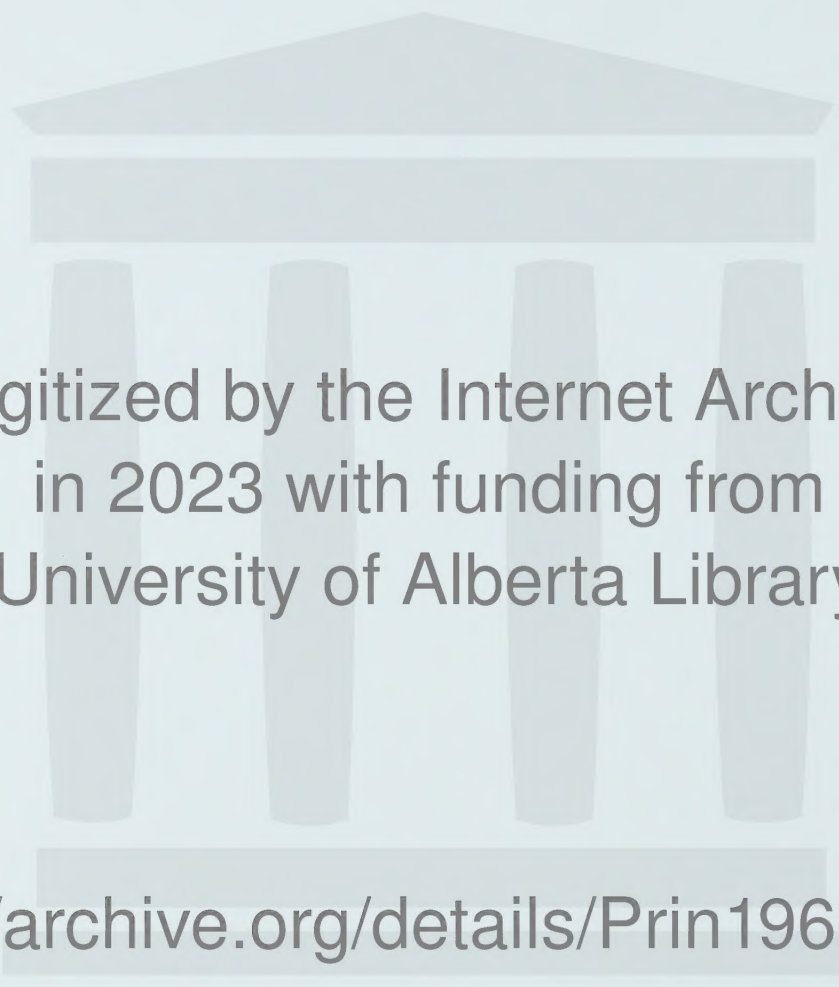


A nighttime photograph of a city skyline, likely New York City, with numerous illuminated skyscrapers and buildings. The lights are reflected in a body of water in the foreground. A handwritten circle around the word "Sub" with an arrow pointing to a building, and the words "as on" with a checkmark, are visible in the upper right quadrant of the image.

PRINCIPAL GROUP LTD.
1969 ANNUAL REPORT



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PRESIDENT'S LETTER

Principal Group Ltd. has continued to have a phenomenal growth since the modest beginnings of the group in 1954. The group has grown in many directions.

The expansion and diversification out of the Installment Savings Certificate business conducted by First Investors Corporation Ltd. and Associated Investors of Canada Ltd., which between them operate as a broker in two Canadian provinces, and as a Savings Certificate Company in six additional provinces, have been the major thrusts since 1964.

Principal Savings and Trust Company, a member of the Canada Deposit Insurance Corporation, continues to operate in six provinces and is rapidly expanding its Investment Management Division located in the City of Edmonton. It now manages one Investment Fund and two Mutual Funds, with assets of over \$25,000,000 as well as several private fiduciary accounts exceeding \$5,000,000 after only three years in business. The company's investment results obtained for its customers were, for the third year in a row, among the best in Canada for the respective categories. These investment results exceed those of many major pension funds and, accordingly, have led to an increase in fiduciary accounts brought to the group for management.

Principal Life Insurance Company of Canada (La Principale Du Canada, Compagnie d'Assurance-Vie), a federal Canadian company, is now operating as a subsidiary and will start selling in those provinces that have dual licensing by mid-year. Its assets at year-end were just under \$1,100,000.

Our distributing organization, with over 200 representatives, achieved \$35,000,000 in new sales, an increase of 4% over the prior year. Business-in-force declined slightly to \$234,000,000 but was made up by an increase in paid-up and cash sales which boosted total assets under management to \$100,400,000 an increase of 9%. Associated Investors

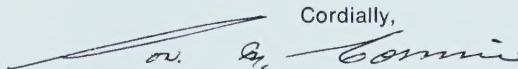
established new sales offices in Calgary and Vancouver during the year. The effect on sales will show up in the coming year.

The program to expand our U.S. affiliates by establishing a mutual fund and portfolio management group in San Francisco has been deferred pending a re-assessment of the effect of the Canadian White Paper on Taxation. To the extent that our customers lose the effect of the tax set-offs and dividend flow-through under the current tax treaties, it would appear advisable to redirect this effort to the Japanese market and the Far East, since Western Canada has very significant business ties with these areas at the present time.

Our operating income declined substantially to \$341,000 bringing our net income to \$197,000. This was the result of a decision to sell a number of securities and government bonds that had major market declines, write off the losses, and invest the funds in areas that would provide substantially increased income in the coming year. Consequently, we expect to make up the decline by a comfortable margin this year.

I would like to thank our Sales Agents, Executives and Employees for their contribution towards a successful year, and for their added contribution to the development of the three new investment concepts that we will be bringing to the public during the coming eighteen months. I would particularly like to thank the new Sales Representatives and Account Executives who have joined our rapidly expanding sales force in Canada. We are currently Number Two in our field in Canada, with over 100,000 customers and, accordingly, our group offers exceptional opportunities for dynamic and creative sales organizational work to bring the newer investment concepts to our large number of customers.

Cordially,



DONALD M. CORMIE, Q.C.

President and Chairman of the Board



DONALD MERCER CORMIE, Q.C.

President

Mr. Cormie is the Senior partner in the Law Firm of Cormie, Kennedy, Fitch and Patrick, Edmonton, Alberta. After graduating from the Harvard Law School in 1946, Mr. Cormie became President and a Director of Principal Group Ltd. and a number of its member companies. In addition, Mr. Cormie is past Vice-President for Alberta of the Canadian Bar Association, and has been a member of the National Council for nine years. He is North-Pacific Area Vice-President of the Young President's Organization Inc., and holds the position of Director of the Banff School of Advanced Management, and the Citadel Theatre in Edmonton. Mr. Cormie is married and has eight children.

DENNIS ROBERT STEWART

Vice-President - Marketing

A native Albertan, Mr. Stewart is the Vice-President and a Director of Principal Group Ltd. and seven of its member companies. He was one of the original founders and has been very active in the Real Estate and Development areas since inception. Mr. Stewart is the Past President of the Canadian Association of Real Estate Boards and of the Alberta Real Estate Association and the Edmonton Real Estate Board. Mr. Stewart is married and has five children.

RAYMOND DENNIS CALLIES

General Manager

Mr. Callies is a Chartered Accountant and was Chief Accountant and Treasurer of an industrial company before joining Principal Group as Controller. He was formerly with Deloitte, Plender, Haskins and Sells and the Department of National Revenue - Taxation Division. In 1969, Mr. Callies was appointed General Manager of the Group. He is married and has one child.

KENNETH NELSON MARLIN

Vice-President — Sales

Mr. Marlin joined the Principal Group in 1954 as a representative for First Investors Corporation, and over the years has moved up in the Management arm of the Sales Division to his present position as Director and Vice-President - Sales for Principal Group Ltd. and its member companies. A native of Saskatchewan, Mr. Marlin administers all functions of the sales force in Canada. He is Chairman of the Board for the Edmonton International Speedway Ltd., Edmonton. Mr. Marlin is married and has four children.

BLAINE O. ARCHIBALD

Secretary and General Counsel

A native Albertan, Mr. Archibald joined the Principal Group in 1960 and is presently General Counsel and Secretary of Principal Group Ltd. and an officer of a number of the member companies which make up the Principal Group. A member of the Law Society of Alberta, Mr. Archibald also serves as a member of Council of the Canadian Bar Association. He is Chairman of the Alberta Commercial Law Subsection 1957-58 and the Wills and Trusts Subsection 1967-69. Mr. Archibald is married and has five children.

RALPH PERRIN FORSTER, M.C.

Honorary Director

A long-serving, former Director and still active with the Group, Mr. Forster is a graduate of the University of Alberta and the London School of Economics. He was attached to the British Embassy in Washington for a number of years and spent several years with the World Bank in the United States before coming to Edmonton to help found the Principal Group in 1953. A dynamic individualist, with an impressive background in finance, Mr. Forster approaches the subject of thrift and saving with the sincere zeal and dedication of a crusader, an attitude reflected in the company crest.

DIRECTORS

Sound business judgment, demonstrated through successful accomplishments in their chosen fields, characterizes the members of Principal Group Ltd.'s Board of Directors. These men, elected by the stockholders, actively exercise their responsibilities in directing the company as well as consulting and advising the management of the subsidiary and affiliated companies.



DONALD MERCER CORMIE, Q.C.



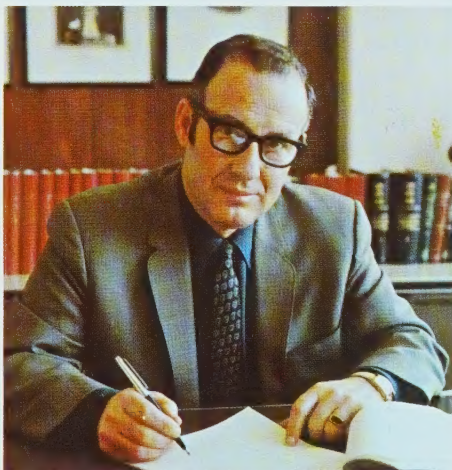
DENNIS ROBERT STEWART



RAYMOND DENNIS CALLIES



KENNETH NELSON MARLIN



BLAINE O. ARCHIBALD



RALPH PERRIN FORSTER, M.C.



EDMONTON – DYNAMIC CENTRE OF INFLUENCE

Administrative Head Office of
The Principal Group.

Located on one of the new "crossroads" of
the world and featured on this page and
the front cover.

Just a few hours by jet "over the pole" to all
major centres in Europe, and a short hop
to Japan and Hong Kong.

250,000 plane movements annually from its
three airports, including an international
airport capable of handling the largest jets.

Capital of the Province of Alberta, with all
the excitement of a big cosmopolitan city.

A population of just under 500,000 people,
and the location of the 20,000 student
University of Alberta, projected to have one
of the major computer centres in Canada.

Live theatres with the highest seat
attendance in Canada, and a 2,500-seat
Concert Hall and Auditorium that hosts all
major international performances from
Europe and Asia.

A city that offers every conceivable
advantage for providing low-cost services
for the operating divisions.

ALBERTA

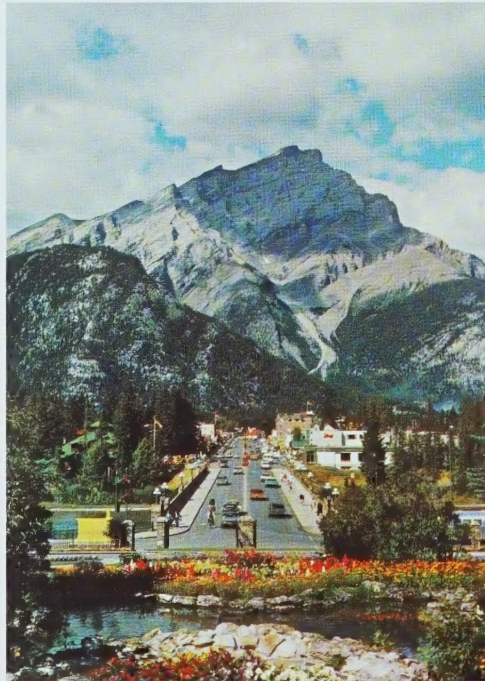
Contains the Edmonton-Jasper-Banff triangle, a beautiful, mountainous, recreational centre — the Switzerland of North America.

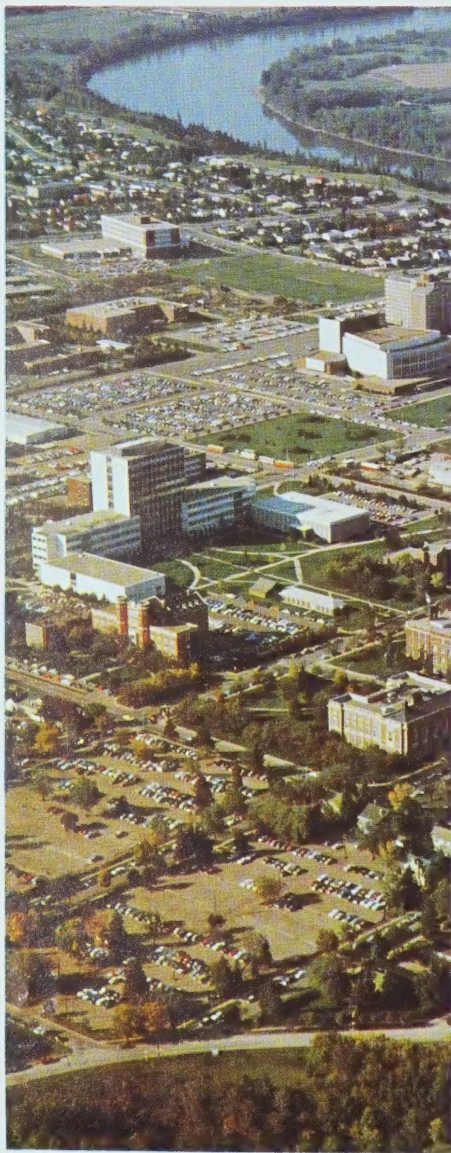
The lowest debt structure of any province or state on the continent, with substantial oil revenues to reduce the tax requirements of the province.

No sales tax and only 25% of the average estate tax level for the whole of Canada and the United States.

A long history of stable, free-enterprise governments.

The ideal location for managing vast sums of international funds.





PRINCIPAL GROUP LTD.

A Canadian company which is the parent of most of the other companies in the group. It provides offices, administrative services and computer services for the other member companies.

FIRST INVESTORS CORPORATION LTD.

Distributor of savings certificates and mutual funds in seven provinces in Canada. Founded in 1954. Investments are of the type permitted under the Canadian and British Insurance Companies Act (Canada).

ASSOCIATED INVESTORS OF CANADA LTD.

Distributor of savings certificates and mutual funds in the two western Canadian Provinces. The oldest company in the group. Founded in 1948. Investments are of the type permitted under the Canadian and British Insurance Companies Act (Canada).

PRINCIPAL INVESTORS CORPORATION

A broker dealer registered federally and in the states of California, Oregon, Washington, Idaho and Colorado. Head Office in Seattle, Washington. Distributor of face amount certificates — mutual funds and life insurance.

PRINCIPAL CERTIFICATE SERIES, INC.

Issuer of face amount certificates in the states of Washington, Oregon and Colorado, U.S.A. Head Office, Seattle, Washington.

MERCER & WILLIAMS AGENCY LTD.

A general insurance agency handling life, fire and casualty insurance. Founded in 1957.

PRINCIPAL MORTGAGE CORPORATION LTD.

Real Estate and development financing. Mortgage brokerage, mortgage investment and portfolio management.

PRINCIPAL GROWTH FUND

Managed by Principal Savings & Trust Company. Unit value rose 77% in the first 36 months.

PRINCIPAL VENTURE FUND LTD.

A speculative fund federally incorporated and distributed through the representatives as well as brokers. Invests in special situations for high performance.

PRINCIPAL SAVINGS AND TRUST COMPANY

A trust company operating in six provinces of Canada. A member of the Canadian Deposit Insurance Corporation, it offers a full range of trust services including investment funds. Founded in 1965. The company is the investment manager for Collective Mutual Fund Ltd., Principal Growth Fund, and Principal Venture Fund Ltd.

COLLECTIVE MUTUAL FUND LTD.

A balanced mutual fund distributed by First Investors Corporation Ltd., Associated Investors of Canada Ltd. and through brokers. Founded in 1963, it has had a growth with reinvested dividends of 9% per annum compounded since inception.

PRINCIPAL LIFE INSURANCE COMPANY OF CANADA — LA PRINCIPALE DU CANADA, COMPAGNIE D'ASSURANCE VIE

A federally chartered company. It offers low cost life insurance designed to supplement other financial services, and will expand into the international field with equity based policies.

Gross assets under management
increased 9% to \$100,400,000.

Business-in-force decreased 4%
to \$234,000,000.

Operating net income decreased 46%
to \$341,000.

Net profit decreased 55%
to \$197,000.

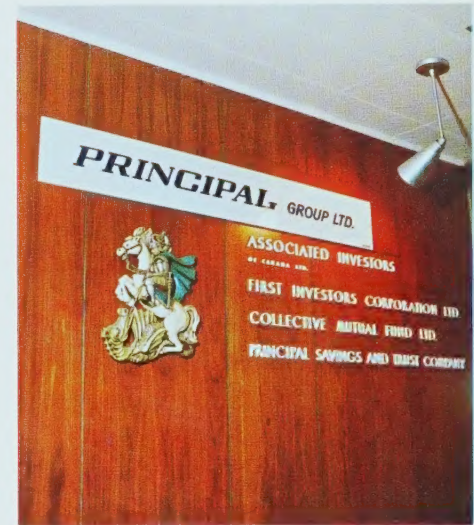
New sales increased 4% to
\$35,000,000.

PRINCIPAL GROUP

The administrative offices of the Principal Group will be consolidated in the new Cambridge Building in the City of Edmonton by mid-1970, as a result of the decision to postpone the construction of the 30-storey "Principal Place" development on the 50,000 sq. ft. river valley site at 100 Avenue and 102 Street.

The Cambridge Building is connected to the below-street, heated, pedestrian Mall System and shops that pass under the Oxford Centre and the new 40-storey AGT Tower, with connections to the major hotels.

The underground Mall System is to be extended four blocks north, to connect with the City Hall, City Library, Centennial Building and CN Tower. 7,000 people a day will pass through the Mall under the building and patronize the shops along the way.





PRINCIPAL TRUST

FIDUCIARY ACCOUNTS

The E. T. & A. assets of Principal Savings & Trust Company increased 10% to \$9,023,629, a new record for the company. Mr. Paul Koszec, an economist, was appointed Senior Portfolio Manager, and one new research analyst joined the Department. The "portfolio managers" independently manage a portion of the company's and customers' assets under the general supervision of the Investment Committee, which meets weekly. The committee is composed of nine of the group executives.

PENSION ACCOUNTS

Generally speaking, the cost of pensions is being increasingly shifted to the employer, so employers are more interested than ever in seeing a high performance on pension funds to reduce their own costs. A recent survey indicated that in 1968, members paid only 35% of pension plan contributions, as compared with 42% in 1964. Common stock investments in pension funds is up 10 times in 10 years and is now 45% of non-governmental funds. Since Principal Trust specializes in fund management and has a proven record of exceptional performance, it aggressively encourages companies to consult it on pension fund management.



Savings and Trust Assets increased 8% to \$13,711,791.

Net profit after tax increased 75% to \$87,551.

Retained earnings increased 96% to \$176,513.

Guaranteed Certificate interest rate increased to 9% for 1-5 years, a record high.

**A member of the
Canada Deposit Insurance Corporation.**

AUDITORS' REPORT

To the Shareholders of
Principal Group Ltd.:

We have examined the consolidated balance sheet of Principal Group Ltd. and its consolidated subsidiary companies as at December 31, 1969 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants

Edmonton, Alberta.
February 16, 1970.

PRINCIPAL GROUP LTD.
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1969
(with 1968 figures for comparison)

ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
	<u>1969</u>	<u>1968</u>		<u>1969</u>	<u>1968</u>
CASH AND INVESTMENTS:			LIABILITIES:		
Cash	\$ 2,759,232	\$ 1,705,693	Certificate liabilities (cash surrender value 1969 - \$42,653,720; 1968 - \$45,754,477)	\$46,566,371	\$50,067,241
Marketable securities (Note 2)	22,810,406	21,955,382	Guaranteed investment certificates and deposits	3,753,789	3,693,128
First mortgages on real estate including accrued interest receivable net of unamortized mortgage discount of \$657,603 (1968 - \$772,995)	29,600,672	32,283,793	Bank loans (Note 3)	2,942,307	2,054,122
Real estate - at cost less allowance for possible losses	1,661,908	2,326,737	Demand loans payable (Note 3)	2,000,000	—
Loans to certificate holders (not exceeding cash surrender value)	<u>1,153,462</u>	<u>1,016,125</u>	Income taxes payable (Note 4)	77,003	196,356
Total cash and investments	57,985,680	59,287,730	Due to parent company	1,156,840	2,092,289
INVESTMENT IN AND ADVANCES TO SUBSIDIARIES NOT CONSOLIDATED (Note 1)	47,250	6,800	Notes payable to affiliated companies	449,139	380,354
INVESTMENT IN SHARES OF AFFILIATED COMPANY - at cost	318,724	318,724	Other liabilities	590,166	575,061
ACCOUNTS RECEIVABLE AND OTHER ASSETS	572,094	808,184	Deferred income taxes (Note 4)	<u>202,000</u>	<u>213,050</u>
EXCESS OF COST OF SHARES OF CONSOLIDATED SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS AT DATE OF ACQUISITION	<u>5,808,597</u>	<u>5,794,768</u>	Total liabilities	<u>57,737,615</u>	<u>59,271,601</u>
Approved by the Board:			MINORITY INTEREST IN SUBSIDIARIES - including \$838,250 of 7% cumulative preferred shares	<u>898,524</u>	<u>870,894</u>
Director			SHAREHOLDERS' EQUITY:		
Director			Capital stock:		
			Authorized (Note 5)		
			Issued and fully paid:		
			100,000 First preferred shares	2,500,000	2,500,000
			108,000 6% Second preferred Series 1 shares	2,700,000	2,700,000
			1,000,000 Common voting shares	<u>500,000</u>	<u>500,000</u>
			Total capital stock	5,700,000	5,700,000
			Retained earnings	<u>396,206</u>	<u>373,711</u>
			Total shareholders' equity	<u>6,096,206</u>	<u>6,073,711</u>
TOTAL	<u>\$64,732,345</u>	<u>\$66,216,206</u>	TOTAL	<u>\$64,732,345</u>	<u>\$66,216,206</u>

The accompanying notes are an integral part of the financial statements.

**PRINCIPAL GROUP LTD.
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES**
CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1969
(with 1968 figures for comparison)

	<u>1969</u>	<u>1968</u>
RETAINED EARNINGS:		
Unappropriated:		
Balance beginning of the year	\$323,711	\$107,966
Net income for the year	<u>197,495</u>	<u>440,745</u>
	<u>521,206</u>	<u>548,711</u>
Deduct:		
Dividends paid - first preferred shares	175,000	175,000
Appropriation to purchase fund	<u>50,000</u>	<u>50,000</u>
Total deductions	<u>225,000</u>	<u>225,000</u>
Balance end of the year	296,206	323,711
Appropriated for purchase of first preferred shares (Note 5):		
Balance beginning of the year	50,000	—
Appropriation for the year	<u>50,000</u>	<u>50,000</u>
Balance end of the year	<u>100,000</u>	<u>50,000</u>
TOTAL RETAINED EARNINGS	<u><u>\$396,206</u></u>	<u><u>\$373,711</u></u>

**PRINCIPAL GROUP LTD.
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES**
CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1969
(with 1968 figures for comparison)

	<u>1969</u>	<u>1968</u>
INCOME:		
Income from investments	\$3,841,560	\$4,009,289
Commissions and management services	<u>403,605</u>	<u>572,613</u>
Total income	<u>4,245,165</u>	<u>4,581,902</u>
EXPENSE:		
Interest on certificate liabilities less gain on optional and automatic settlements	1,872,491	1,967,581
Operating expenses - less service fees	<u>2,082,278</u>	<u>1,960,578</u>
Total expense	<u>3,954,769</u>	<u>3,928,159</u>
INCOME FROM OPERATIONS	290,396	653,743
NET GAIN ON SALE OF SECURITIES	<u>50,895</u>	<u>82,421</u>
INCOME BEFORE INCOME TAXES AND UNDERNOTED ITEMS	341,291	736,164
PROVISION FOR INCOME TAXES (Note 4)	<u>76,407</u>	<u>305,816</u>
INCOME BEFORE UNDERNOTED ITEMS DEDUCT - Minority interest in income of subsidiaries	264,884	430,348
	<u>70,789</u>	<u>49,603</u>
ADD - Extraordinary item - income tax adjustment (Note 4)	194,095	380,745
	<u>3,400</u>	<u>60,000</u>
NET INCOME FOR THE YEAR	<u><u>\$ 197,495</u></u>	<u><u>\$ 440,745</u></u>

The accompanying notes are an integral part of the financial statements.

PRINCIPAL GROUP LTD.

AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

December 31, 1969

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the following subsidiary companies:

First Investors Corporation Ltd.
Associated Investors of Canada Ltd.
Principal Savings and Trust Company
Principal Life Insurance Company of Canada
Principal Service Inc.
Mercer & Williams Agency Ltd.
Athabasca Holdings Ltd. and its wholly-owned subsidiaries.

The accounts of Collective Mutual Fund Ltd. and Principal Venture Fund Ltd. have not been consolidated as the nature of their business is different from that of the company and its other subsidiaries.

For purposes of comparison the 1968 figures have been restated to include the accounts of Principal Savings and Trust Company which have been included in the consolidated financial statements for the first time in 1969.

2. MARKETABLE SECURITIES:

Government and municipal bonds - at amortized cost (market value 1969 - \$8,414,094; 1968 - \$9,137,483)	\$11,254,673	\$11,230,016
Corporation bonds and notes - at amortized cost (market value 1969 - \$4,052,758; 1968 - \$3,937,679)	4,405,343	4,212,805
Preferred and common stocks - at cost (market value 1969 - \$4,883,585; 1968 - \$5,547,257)	6,527,147	6,025,576
Accrued interest and dividends receivable	623,243	486,985
Total	\$22,810,406	\$21,955,382

Corporate bonds and notes include \$2,500,000 of notes receivable from a major United States Corporation. Subsequent to December 31, 1969 these notes were applied as partial consideration on the acquisition of a \$5,200,000 mortgage on a major real estate development in Edmonton.

3. PLEDGED ASSETS:

The bank loans of \$2,942,307 and demand loans payable of \$2,000,000 are secured by government bonds valued at a cost of \$4,114,291, real estate valued at a cost of \$804,325, shares of subsidiary companies, and a general assignment of book debts.

4. INCOME TAXES:

The income taxes payable in respect to the current year amount to \$84,057. The difference of \$7,650 between this and the taxes charged against income result from following the recommended income tax allocation principles.

(a) A provision for income taxes of \$3,400 (1968 - \$60,000) on its accounting income was recorded by a subsidiary company. This amount was not payable due to the carry forward of prior years' losses and the reduction in taxes is recorded in the statement of income as an extraordinary item.

(b) In the current and prior years' expenses were claimed in full and income deferred where allowable for income tax purposes in order to minimize actual income taxes payable. For the year ended December 31, 1969 taxable income exceeds accounting income and as a result \$11,050 of income taxes provided in prior years has been transferred from deferred income taxes to reduce the 1969 provision for income taxes.

5. CAPITAL STOCK:

The authorized share capital is summarized as follows:

200,000 7% Cumulative first preferred shares redeemable at \$26.75 each

200,000 Cumulative redeemable second preferred shares of a par value of \$25 each issuable in series. Series 1 redeemable at \$26.50.

1,000,000 Common voting shares of no par value

1,000,000 Common Class A non-voting shares of no par value

The following rights and conditions apply, among others, to the capital stock:

(a) The company shall, on the first day of September in each year, commencing in the year 1968, enter on its books to the credit of a purchase fund for the first preferred shares an amount to be used for the purchase of first preferred shares which shall be equal to 2% of the aggregate par value of the first preferred shares outstanding on the thirtieth day of June in such year.

(b) No dividends shall be declared or paid on common shares unless declared and paid firstly on the preferred shares.

(c) Holders of the second preferred Series 1 shares have waived rights to dividends for 1969 and previous years.

REAL ESTATE DEVELOPMENT

**Theatre Project in Calgary Place
in Calgary.**

**Major hotel location facing Civic Centre
and City Hall in Edmonton.**

**Main Shopping Centre in
Fort Saskatchewan.**

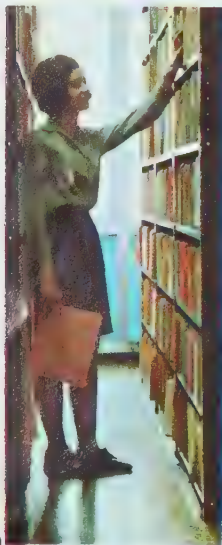
**40 lots for garden apartments in St. Albert,
the new University Centre.**

**Half interest in 60 acres adjoining golf course
at Canyon Meadows in Calgary.**

Interim financing of major commercial developments in Western Canada has continued to be an integral part of the Mortgage and Development Division. Photos show some of the projects recently completed, such as portions of Calgary Place and MacLeod Mall in Calgary, Regina Inn and Centre in Saskatchewan and Centennial Village and Cambridge Building in Edmonton.

50,000 sq. ft. of land has been assembled for the Principal Place Development in Edmonton on 100 Avenue and 102 Street. A major apartment development is planned for Calgary and another major project for Vancouver in the coming year. The group holds the key corner at 97 Street and 103A Avenue proposed for the \$30,000,000 Omniplex Development in Edmonton, and will either sell the property if it is a public development or participate in the development if it is a private project.





SALES

A TENTH OF ALL YOU EARN IS YOURS TO KEEP — PAY YOURSELF FIRST

With that simple statement, every day 200 representatives ask 20 customers each whether they are setting aside 10% of all they earn as SAVINGS, INSURANCE AND INVESTMENT — whether they pay themselves FIRST each month, or just take whatever is left over. Thousands of new customers save and invest with the Group each year at least 10% of all they earn.

This was the second consecutive year in which Principal Group's consolidated sales reached \$3,000,000 a month, operating from fifteen offices in Canada and the United States.

In addition to 300 hours of seminar classes, hundreds of hours of classes were conducted in the regional offices and elsewhere in the field. Each step along the way, the Principal Representative is trained in the techniques of money management and financial planning. He is trained to help people plan a sound financial program with one of the companies in the group: A DEPOSIT ACCOUNT, LIFE INSURANCE, A GUARANTEED SAVINGS PROGRAM AND A MUTUAL FUND PROGRAM. He offers a One-Stop Complete Financial Program. In addition, by dealing with a single group, he can often arrange, when the customer's requirements change, a transfer from one investment program to another for a nominal transfer fee without new sales charges or commissions.

During the next six years, 750 new representatives will be joining the Principal Sales group to help provide people with the broad ownership of business through prudent investment which is basic to a country's economic vitality.

Group sales up 4% to \$35,000,000.

54,300 people make an additional investment with the Group every month.

15 offices in Canada and the United States provides \$3,000,000 in new sales each month.

Sales and Trust Representatives attended more than 300 hours of seminar or training classes during the year.

**Collective Mutual Fund and Principal
Venture Fund cleared for sale in
Ontario and Quebec.**

**Principal Life Insurance Company of Canada
policies to be offered by
Group Sales Force in July.**

**An "M" Fund, or mortgage fund, to be
offered by Principal Trust late in the year.**

**European distribution for
Principal Growth Fund.**

MARKETING

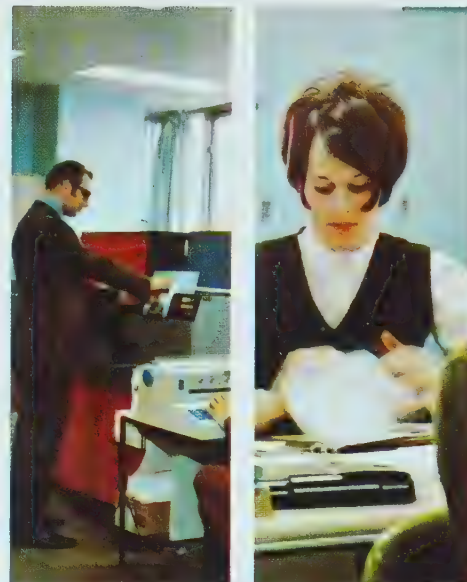
Mr. Dennis R. Stewart on completion of his term of office as President of the 22,000 member Canadian Association of Real Estate Boards, was appointed Vice-President, Marketing.

The Sales Department has 200 representatives engaged in direct selling, and the new Marketing Department will plan, develop and offer new financial services or programs to be offered not only through the Sales Department but through the offices of Principal Trust.

Principal Group and affiliates have over 100,000 customers, and more than half of them participate in the market or accumulate money through the monthly investment plan. Most of them put in as little as \$15.00 a month. We are delighted to have their business and will provide new programs or services designed specifically for their needs. Our objective is to help our customers plan a more secure financial future.

A WELL-BALANCED PROGRAM

1. Cash Reserves
2. Ample Life Insurance
3. Systematic Accumulation Plan
4. Participation in Ownership of a Board Cross-Section of World Industry





ADMINISTRATION AND SYSTEMS

In addition to the millions of computations made to keep individual customer accounts up to date, accurate records of assets, liabilities and transactions of all the companies in the Principal Group are electronically computed and stored on microfilm and magnetic discs.

Reports and tax returns for the companies and their customers are prepared by highly-skilled personnel trained to use the most modern machines. A major effort is made to keep abreast of new administrative techniques developed anywhere in the world.

In short, the objective is to provide a comprehensive, economic management system.

I.B.M. 360 computer facilities.

Sophisticated computer applications under development, including creation of "profit models."

**Computerized cash-flow planning.
Allocation of assets by type and time sectors.**



MANAGEMENT CONSULTING SERVICES

With an eye to the rapid modernizing process going on in the agricultural industry, the Group has developed and has in use the most advanced computerized livestock breeding and selection system in Canada. Designed for small private herds or livestock groups of fifty head or more, it indicates the most efficient breeding combinations available in the herd, and the most valuable economic traits using simplified input forms.

With the addition of the "farm profit analysis" system, Principal Group can help tens of thousands of its rural customers operate more efficiently, as well as plan better financially.

The management rule: "SELL THE BOTTOM THIRD OF YOUR INVESTMENTS AND RE-INVEST IN THE TOP THIRD" is easy to follow but accurately identifying the bottom third is the most difficult part. The development of a total Investment Analysis or Capital Employed Yield Guide for the investments and capital of the Group is just as applicable to every business and every pension fund. The merchandizing of these systems with the consulting services that go with them is becoming a major activity in the Group.

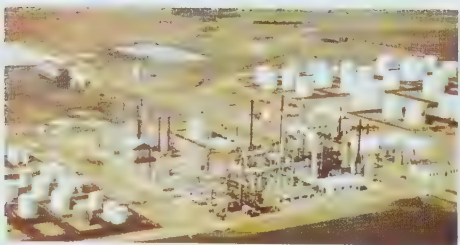
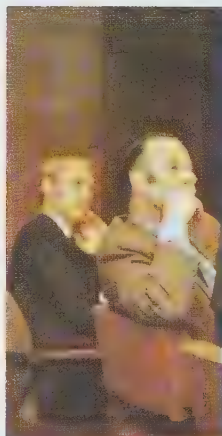
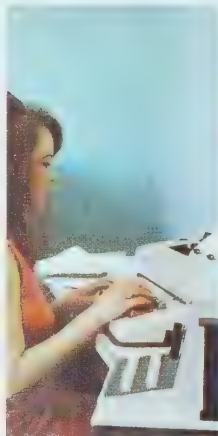
**A growing market outside the Group
for many of the advanced systems
developed for internal use.**

**A new genetic selection system
for Agribusiness.**

**Investment Analysis System to visually
show the top third of your investments
and why.**

**Computerized Sales Performance Analysis
Program for companies with a
direct sales force.**





INVESTMENT ANALYSIS— CUSTODIANSHIP

SELECTION, DIVERSIFICATION and SUPERVISION are basic principles of a successful investment program. Following these principles, Principal Group has had one of the leading investment records in Canada over the last six years, which included two major market declines.

Thanks to excellent communications with research analysts from the finest investment firms on the continent, the home office is in minute-by-minute contact with financial events all over the world.

Davis, Palmer & Biggs have been one of the major investment counsellors for the group for many years and have recently been described in business journals as "a cool trio running a hot fund", as their expertise gets greater recognition in their home base of New York City.

While the group employs the services of an independent Canadian bank as custodian of all securities certificates, the custodian does not perform any managerial or policy-making functions for any of the companies. Their role is important and valuable to the companies and shareholders alike by sharing in the assurance that a financially-stable, independent and neutral depository is guarding their interests.

Meticulous stewardship of customers' money.

An independent Canadian bank holds in physical safe-keeping, as custodian, all securities and certificates in the group's portfolios.

Under close supervision, the professional buyers effectively execute orders, and the securities pass directly to the custodian to reduce handling.

9% per annum compounded — result obtained on the portfolio of Collective Mutual Fund Ltd. (C.M.F.) over the last six years.

C.M.F. net value rose from \$4.97 in November, 1963, to \$7.46 in November, 1969 — 7% compound growth rate plus 2% annual dividend distribution.

Principal Growth Fund (P.G.F.) rose 77% in first 36 months.

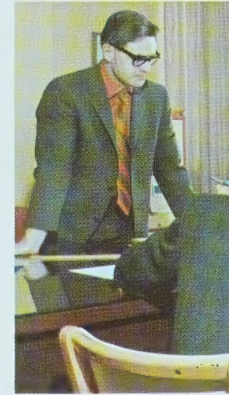
Principal Growth Fund's performance is a 21% compounded annual growth rate — Canada's leading equity investment vehicle.

FUND MANAGEMENT

23,800 customers plan to invest over \$100,000,000.00 in Collective Mutual Fund Ltd. and Principal Growth Fund over the next fifteen years. Most people are purchasing small amounts regularly every month. Principal Group always encourages people to invest in the market through its three investment funds so they can share in the broad ownership of business and industry, and yet benefit from the prudent investment policies of our investment department.

These funds invest in the dynamic economies of both the United States and Canada, and specialize in Western Canada with its huge development of natural resources, processing, refining and manufacturing.

Collective Mutual Fund Ltd., a balanced fund, has been growing at 9% per annum compounded, including re-invested dividends, over the last six years, a period which suffered from two major market declines. Principal Growth Fund rose 77% in its first 36 months, even after allowing for the major market decline of 1969. This is the kind of performance Principal Trust is getting for its investors, retirement funds and managed trusts.



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